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Financing of the International Residual Mechanism for Criminal Tribunals

Construction of a new facility for the International Residual Mechanism for Criminal Tribunals, Arusha branch

Report of the Secretary-General

Summary

The present progress report is the fifth on the construction of a new facility for the International Residual Mechanism for Criminal Tribunals, Arusha branch, submitted pursuant to paragraph 13 of General Assembly resolution 69/276. It provides an update on the progress made on the project since the issuance of the previous report of the Secretary-General (A/69/734).

The project, which started in January 2012, was initially estimated to be completed in five years and three months, in the first quarter of 2017. In response to a request by the General Assembly to shorten the project's duration, the Secretary-General took a number of measures that reduced the projected timeline to four years, reflecting a reduction of 15 months. All of the pre-construction activities were completed in February 2015, and the construction stage began on 27 February 2015. Originally scheduled to last 12 months, works on site experienced some difficulties, including a topographical error that resulted in the shifting of the contractual completion date to the beginning of April 2016, and other challenges that have since been resolved but may push the anticipated completion of work to May 2016. The project team, in close consultation with the Office of Central Support Services, developed and implemented mitigation measures to recover from the slower-than-expected progress, promote steady advancement and avoid further slippages.

The project remains within the approved budget, and the project team continues to be focused on achieving efficiencies wherever possible, in accordance with paragraphs 9 and 10 of resolution 69/276. It is expected that the project will be completed within the resources approved by the General Assembly.

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I. Background

1. The project for the construction of a new facility for the Arusha branch of the International Residual Mechanism for Criminal Tribunals commenced in January 2012, following the adoption by the General Assembly of resolution 66/240 A. In that resolution, the Assembly decided to appropriate an initial amount of $3 million to cover expenses related to the conceptual design phase of the project. In its resolution 67/244 B, the Assembly authorized the activities related to all phases of the construction of the facility and authorized the Secretary-General to establish a multi-year special account for the project. In its resolution 68/257, the General Assembly appropriated an additional amount of $5.8 million, authorizing a total of $8.8 million for the project.

2. The Mechanism's new premises, currently under construction, are located atop a gently sloping hill on the outskirts of Arusha, on land donated by the United Republic of Tanzania. The design revolves around a single, prominent tree, representing justice in many parts of Africa, placed at the centre of a courtyard. Three buildings face the courtyard, namely the office, the archives and the courtroom. The buildings will be minimalistic and multipurpose, reflecting the Security Council's vision for the Mechanism as a lean and efficient institution. The design takes into full consideration the Convention on the Rights of Persons with Disabilities. Annex I to the present report contains pictures of the premises under construction.

3. Four progress reports were previously submitted outlining, inter alia, the project expenditure and costs, as well as the implementation of the requests and recommendations contained in relevant resolutions adopted by the General Assembly. The present report constitutes the fifth progress update. It describes the progress made since the previous report and provides information regarding the inclusion of local knowledge and capacity, office accommodation, application of lessons learned, mitigation of potential risks, efficiencies, utilization of existing usable furniture and equipment, and updated expenditure and projected cost to completion.

4. Since the previous report, the Mechanism:

(a) Continued to cooperate with the host State, including regarding the completion of the temporary road and the installation of power and water lines;

(b) Concluded the contract for construction services with a Tanzanian company on 19 February 2015;

(c) Handed over the site to the contractor, which started construction works on 27 February 2015;

(d) Completed the structure of the archives building and the court building, with the exception of the courtroom's cone, and the structure of the ground floor of the office building, with completion of the upper floor expected by mid-February 2016;

(e) Ordered the majority of the long lead time material and equipment;

(f) Implemented value engineering;

(g) Approved required orders;

(h) Continued risk monitoring and the implementation of mitigation measures;

(i) Continued to include local knowledge and capacity;

(j) Continued to apply best practices and lessons learned;

(k) Promoted closer cooperation and communication among stakeholders;

(l) Continued to liaise with neighbouring institutions;

(m) Strengthened the project's regulatory framework;

(n) Identified requirements for occupancy, operations and maintenance of the new facility;

(o) Identified assets to be used in the new facility.

5. Initially estimated at five years and three months, with a completion date in the first quarter of 2017, the project length was reduced to four years, in response to a request from Member States, a reduction of 15 months from the original timeline. All of the pre-construction phases (including site selection, conceptual design, development of programmatic and functional requirements, cost estimates, recruitment of the project manager, signing of the Supplementary Agreement with the host State, procurement of architectural services, detailed design, and procurement of construction services) were completed successfully with only minimal slippages from the project timeline contained in the fourth progress report (A/69/734) and within the total budget. This allowed for an effective start of the critical construction phase.

6. Construction works started on 27 February 2015 and were expected to be completed within 12 months. However, an unforeseen topographical error related to the disparity between the levels indicated in the architectural drawings and the actual ground levels, which were discovered during the initial phase of construction, resulted in the shift of the contractual completion date to 6 April 2016, an extension of 38 days. While this contractual completion date remains valid at the time of writing, slower-than-expected progress, due to additional challenges on site that have since been mitigated, may push the anticipated completion of works from April to May 2016, which would allow sufficient time for testing and commissioning. A revised timeline is provided in annex II.

7. The project remains within the total budget of approximately $8.8 million. The construction contract awarded was slightly higher than the budgeted price, which necessitated the use of a portion of the project contingency funding. Since the commencement of construction, only two change orders have been processed, which did not require the use of contingency but instead resulted in minor savings in the contract price.

8. The project team primarily responsible for the construction of the Mechanism's new premises in Arusha, guided by the Office of Central Support Services of the Department of Management, continues to closely monitor the risks associated with the project, with a view to developing appropriate mitigation strategies to ensure that the project is completed without further delays and within the overall budget.

II. Progress made on the project during the reporting period

A. Contracted services

Construction services

9. The procurement process for construction services was concluded on 19 February 2015, with the signing of a contract between the Mechanism and the successful bidder for a total lump sum of $6,614,399. The successful bidder is a well-established local construction firm, Jandu Plumbers Ltd., whose portfolio includes landmark buildings in Arusha, including multipurpose complexes and art galleries. Based in Arusha, the contractor has more than 50 years of experience in the United Republic of Tanzania and is fully conversant in prevalent local design and construction practices, as well as shipping, importation and sourcing labour and materials in the region.

10. The signing of the construction contract was preceded by negotiations with the selected bidder in order to ensure that the overall project costs fell within the established budget for the project. The negotiations benefited from the presence in Arusha of representatives from the Procurement Division, the Overseas Property Management Unit of the Office of Central Support Services and the Office of Legal Affairs. The negotiations included a value engineering exercise, which identified areas where efficiencies could be obtained through alternative sourcing methods or potential substitutions without changing project scope or quality standards and resulted in a significant reduction from the original bid price.

11. The contract award price of $6,614,399 was roughly 4 per cent above budget, and the excess was charged against the project contingency fund. The higher-than-budgeted price is attributed mainly to the costs of imported electromechanical materials and equipment, which were more costly than expected owing to unforeseen market conditions. The cost of concrete, steel and other locally sourced material, however, fell within the budget. The project team continues to undertake ongoing value engineering and other risk mitigation measures to ensure that any similar unforeseen market effects do not adversely affect the overall project resources approved by the General Assembly.

12. The construction contract draws on relevant best practices from other capital projects. It is based on an industry standard form of contract adapted by the United Nations and familiar to local contractors and the market. Following a lump-sum scheme, it promotes cost certainty and mitigates the risks of cost overrun. It is in United States dollars, which is also the currency of the architectural services consultant contract and reduces the risks of currency fluctuations.

Architectural services

13. During the reporting period, the project team continued to manage the full architectural services contract concluded on 26 February 2014 with the architectural and engineering consulting firm Ridge and Partners LLP, operating out of Oxford, United Kingdom of Great Britain and Northern Ireland, which partnered in the project with a subconsultant, FBW Architects and Engineers Ltd., operating out of Kampala.

14. During the construction phase, the architectural consultants provide construction administration and site supervision services, with the assistance of their resident supervisory team. The architectural consultants monitor that works conducted by the contractor proceed according to design and quality specifications, review the contractor's material submissions and work programmes, evaluate change orders and substitutions proposed by the contractor and recommend interim payments to the contractor.

15. In addition, the consultant architectural team provides input to ongoing value engineering discussions, including making recommendations and evaluating owner-recommended and contractor-recommended cost and schedule mitigation proposals.

B. Construction progress

16. The site was handed over to the contractor on 24 February 2015. The project's construction phase officially commenced on 27 February 2015 with the issuance of the notice to proceed; the contractual schedule for completion of 12 calendar months started running from that day. In order to complete works within the contractual obligations, the contractor's strategy is predicated on performing concurrent work on the three main buildings of the premises, namely the archives, office and courtroom buildings, and the contractor has assigned a dedicated team to the construction of each building.

17. Excavation and earthworks commenced in March 2015 and were completed in April 2015 for the office building. However, an error in the architectural drawings with respect to the topography of the site, showing terrain levels for the court and archives building area as higher than the actual level, required that excavations be put on hold until the end of April 2015. The error resulted in a no-cost amendment to the contract but caused a delay to the project schedule.

18. Foundations for the office building were completed in June 2015 and for the archives and court buildings in August 2015.

19. In November 2015, the contractor completed the structure of the ground floor of the office building. In December 2015, the superstructure of the court building, with the exception of its conical element, the ancillary pedestrian security screening structure and the underground pump house were completed. The superstructure of the archives building was finished in the first week of January 2016. During January 2016, work on the upper floor of the office building continued to advance, with expected completion by mid-February 2016.

20. The fit-out of the interior and exterior of both the archives and court buildings and the ground floor of the office building started in January 2016. The fit-out of the first floor of the office building will commence immediately after the completion of the superstructure.

21. In parallel with the work on site, the contractor submitted long lead time material and equipment requests for approval in accordance with the established procedures. As at January 2016, the majority of such high-risk procurement items, including the heat, ventilation and air-conditioning system and electrical and plumbing material, as well as interior and exterior finishes, have been ordered by the contractor. At the time of writing, one remaining long lead time item, namely exterior windows, was outstanding and behind schedule. The project team continues

to track the item closely to mitigate delays in the overall project completion that may result from any potential further delay in sourcing the item.

22. The remaining works include: completion of the interior fit-out and exterior finishes; installation of electrical and plumbing elements, heat, ventilation and air-conditioning system and fire suppression system; external work, such as the drainage system; ducting and cabling for electrical and information technology equipment; installation of perimeter fencing; and landscaping of the courtyard, including transplanting the tree at the centre of the premises.

C. Cooperation with the host State

23. The significant progress made in the project was facilitated by the continued close cooperation with and support provided by the United Republic of Tanzania, in accordance with the Supplementary Agreement to the Agreement between the United Nations and the United Republic of Tanzania concerning the Headquarters of the International Residual Mechanism for Criminal Tribunals, for the Premises of the Mechanism, of 5 February 2014.

24. During the reporting period, the host State completed the construction of a temporary access road to the site and installed power and water lines, all of which the host State donated at no cost to the United Nations. The exemption of the contractor and subcontractors, as well as consultants and subconsultants, from value added tax and import duties proceeded smoothly.

25. Cooperation with the host State was fostered by frequent formal and informal contacts between the Mechanism and various government officials, including through visits of the latter to the construction site. Most significantly, on 1 July 2015, the Mechanism marked the third anniversary of the Arusha branch with a cornerstone ceremony, which was officiated by the then President of the United Republic of Tanzania, Mr. Jakaya Mrisho Kikwete.

26. The Secretary-General expresses his appreciation to the Government of the United Republic of Tanzania for its continued cooperation and looks forward to the completion of the ongoing works for the permanent access road and the connection to electricity, water and the Internet.

III. Project accountability

A. Governance and project management

Project team

27. The project team is primarily responsible for the overall coordination and oversight of the project. The Assistant Secretary-General, Registrar, of the Mechanism is the project owner and, as the head of the project team, actively and closely monitors the project. He is assisted by the Head of Registry, Arusha branch, and the project manager. The composition of the project team has remained unchanged since the hiring of the project manager in the planning phase, which has ensured the consistency and continuity required to successfully deliver the project.

28. The project manager liaises with the architectural consultants and the contractor on a daily basis, in face-to-face meetings, through conference calls and formal correspondence and during her frequent visits to the construction site. An official coordination meeting attended by key personnel from the contractor, the architectural consultants and the United Nations is held at the site office once a month.

Cooperation with stakeholders

29. Since the issuance of the previous report, the project has continued to benefit from the cooperation of the Mechanism's Legal Team, Archives and Records Section, Public Information Section and Administration. In addition, technical support has been provided on a consistent basis by the Chief of Administration, the Budget and Finance Office, the Procurement Section and the Safety and Security Section of the International Tribunal for the Former Yugoslavia. As required, the International Criminal Tribunal for Rwanda has also provided assistance.

30. The Secretariat, in particular through the Office of Central Support Services and the Office of Legal Affairs, continued to offer technical advice and support to the project. The Mechanism and the Overseas Property Management Unit continue to liaise on a fortnightly basis but are often in contact much more frequently through videoconferences, conference calls, meetings and correspondence. During the construction phase, liaising with the Unit further intensified. In 2015, the Registrar met six times with representatives of the Office of Central Support Services regarding the project; owing to the overall intensity of activities during the present peak construction period, the Registrar has also attended fortnightly coordination meetings since November 2015.

31. In order to coordinate a wide network of stakeholders, the project team developed and maintains a communication plan outlining content, frequency and modality of communication among stakeholders and identifying the expected time frame for responses.

Neighbouring institutions

32. The Mechanism continued to engage with other international organizations and judicial institutions that are expected to move to the vicinity of its new premises, including the African Court on Human and Peoples' Rights, the African Union Advisory Board on Corruption and the African Institute of International Law. The Mechanism project continues to be at a more advanced stage compared with the projects of other entities in the area, which look to the Mechanism for lessons learned and sharing of experiences. The Mechanism remains committed to continuing these discussions as the neighbouring projects advance, with a view to creating synergies and fostering cooperation whenever it is economical, efficient, secure and possible to do so.

B. Project oversight and audits

Audits

33. In accordance with resolution 67/244 B, the Office of Internal Oversight Services (OIOS) scheduled a three-stage audit process until the immediate post-

occupancy stage. The first formal audit of the project, which focused on planning and governance in the pre-construction phase, concluded on 28 February 2015, and the results were reported by OIOS through its annual report (A/70/318 (Part I) and Corr.1). According to that report, which contained satisfactory comments, including on the procurement of architectural consultancy services, OIOS found no critical or pervasive deficiencies. All of the four important recommendations raised have been closed.

Regulatory framework

34. During the reporting period, the Mechanism further enriched the regulatory framework of the project to guide its operations and promote consistency and oversight. Either at the initiative of the project team or in response to the recommendations of OIOS, key governance instruments were adopted or revised, including: (a) a comprehensive project manual drawing from the global guidelines for the management of construction projects; (b) change order procedures; (c) payment procedures; and (d) a project account monitoring procedure.

Risk register

35. OIOS found that appropriate measures were in place for identifying, assessing and communicating risks and mitigation measures. During the planning phase, the project team developed a risk register for the project that: (a) identified and categorized risks related to the project by specific area and nature; (b) quantified and assessed the risks for their likelihood and potential impact; (c) assigned an overall score to each risk; and (d) assigned each risk to its respective risk owner(s). The risk register is consistently monitored and shared with stakeholders. During the reporting period, it was updated to incorporate new risks that might arise during the course of the project and was reviewed on the basis of changes in circumstances that might have an impact on the identified risks.

36. At the time of writing, the second audit of the project, focusing on the construction stage, was under way.

C. Value engineering

37. Pursuant to paragraphs 8 to 10 of resolution 69/276, and in accordance with the construction contract, the Mechanism consistently made efforts to seek efficiencies to execute the project within the allocated timeline and resources. A key tool was the identification and implementation of value engineering. The project team consistently worked with the contractor and the architectural consultants to explore options that might expedite the completion of works or the project as a whole, reduce costs and improve value or efficiency for the United Nations.

38. As a result, the project team approved the contractor's proposal for an alternative heating, ventilation and air-conditioning system, not included in the specifications of the contract. The system is one of the most expensive and high-risk procurement items in the project. The substitution will result in: (a) improved overall performance relative to the original specifications; (b) anticipated reduction of an eight-week lead time; (c) no price increase; (d) expected reduction in operating costs due to a higher energy efficiency rating compared with the

originally specified system; and (e) additional benefits, such as shorter response times for after-sales support.

39. The project team also approved the contractor's proposal to change the structure of the circular roof slab of the court building from the original design without affecting the appearance or quality of construction. This value engineering exercise is expected to reduce the lead time by six weeks.

D. Continued inclusion of local knowledge and capacity

40. Pursuant to paragraph 5 of resolution 69/276, the project team continued its efforts to include local knowledge and capacity in the implementation of the project.

41. The incorporation of local elements, which has been a key feature of the project since its early planning phase, has continued even more robustly since the selection of a well-established Tanzanian contractor. The contractor's experience in sourcing labour and materials in the region, as well as its expertise in local construction methods and importation procedures, has been a crucial asset to the project. In addition, having such a long presence in Arusha and deep ties to the city and the community, the contractor has demonstrated an unwavering dedication to and passion for the project, which will be a landmark building in the region. All of the skilled and casual labourers on site come from Arusha and neighbouring communities and infuse the project with their own commitment, hard work and knowledge. All of the raw materials for the project, including cement, sand, gravel and timber, are local. The approved stones for the interior and external walls also come from the northern part of the country. Finally, the tree for the courtyard, which constitutes the centrepiece of the project, is being sourced from a local community.

E. Lessons learned

42. In accordance with paragraph 7 of resolution 69/276, the project team continued its efforts to ensure that lessons learned and best practices from other capital projects, including construction at the United Nations Office at Nairobi, the Economic Commission for Africa and the capital master plan, were applied in the implementation of the project. The project team compiles and updates its own lessons learned and best practices for sharing with ongoing and future capital projects, as appropriate.

43. Relevant lessons learned that were applied during the reporting period include:

(a) Cooperation with the host State in all aspects of the project;

(b) Development of a project manual to provide clear operational procedures and internal project control mechanisms to manage costs and the schedule, drawing from the global guidelines for the management of construction projects;

(c) Adoption of a change order procedure and establishment of appropriate levels of financial and procurement delegation for change orders for the project;

(d) Establishment of duty-free and importing/shipping procedures;

(e) Continuity of the project team throughout the design and construction phases;

(f) Maintenance and fostering of a rigorous and transparent communication plan among stakeholders and risk owners;

(g) Avoidance of changes of scope during the construction;

(h) Early engagement with the facilities management services and development of maintenance requirements;

(i) Due consideration to reutilization of existing furniture and equipment;

(j) Maintenance of a log of lessons learned in the project and lessons learned in other projects applied to the project.

IV. Project schedule

44. At the start of the project in 2012, its duration was estimated to be five years and three months. This was subsequently shortened by 15 months, as reported in the report of the Secretary-General (A/67/696). The project entered its fourth year with the successful completion of all of the activities of the pre-construction phase. The conclusion of that phase (which included site selection, conceptual design, development of programmatic and functional requirements, cost estimates, recruitment of the project manager, conclusion of the Supplementary Agreement with the host State, procurement of architectural services, detailed design, and procurement of construction services) with minimal slippages from the project timeline contained in document A/69/734 and within the total budget, with approximately 9 per cent contingency left, which is in line with standard industry practice, allowed for an effective start of the critical construction phase.

45. According to the construction contract and the project timeline contained in document A/69/734, construction works were scheduled to be completed within 12 months. Construction works started on 27 February 2015, with the contractual requirement that they be concluded on 28 February 2016. As a consequence of topographical-level disparity between the actual grounds and the architectural drawings, excavation and earthworks for the archives and court buildings were suspended from 20 March to 27 April 2015.

46. Following the initial notification of a 38-day delay due to the level disparity, the project team, in close coordination with the Office of Central Support Services, the architectural consultants and the contractor explored measures to recover the time lost. It was agreed that the contractor would develop a recovery workplan, which was premised on the recruitment of additional manpower and the extension of working hours on site, which included the implementation of two working shifts per day and work on weekends.

47. The execution of that mitigation strategy did not result in the recovery of the time lost, as additional difficulties with respect to site management turnover and quality control issues began to surface on site, leading to slower-than-expected progress.

48. While the contractor demonstrated its ability to swiftly mobilize and increase manpower on site, it was faced with unexpected site management challenges. In a four-month period, the contractor's full-time site manager, the key person who manages the day-to-day works on site, changed twice. The site management turnover led to some quality issues that in turn brought about unsatisfactory results

from concrete strength tests conducted between August and September 2015. Such routine tests are an industry best practice to verify that the structural works comply with the quality and design standards set forth in the construction contract. While some of the early tests did not produce satisfactory results, the defects have since been rectified and the work is progressing according to the prescribed quality standards.

49. In order to mitigate the risks of further delays resulting from site management and quality control issues, between July and December 2015 the following measures were agreed upon by the project team, the Office of Central Support Services, the architectural consultants and the contractor and were implemented as follows:

(a) A revised programme of work was developed by the contractor with the target of completing the superstructure of the three main buildings by mid-February 2016;

(b) Control measures were implemented by the contractor to promote and ensure consistency with respect to the quality of the works;

(c) The contractor reinforced its management team on site by assigning the contractor's most senior project manager full time to the project and through the recruitment of two new assistant site managers, who were on site by the end of September 2015;

(d) Value engineering was exercised with the approval of a substitution of the heating, ventilation and air-conditioning system in lieu of the original system. This allows a 33 per cent shorter lead time compared with the original manufacturer while offering additional advantages and efficiencies to the project, such as a higher-class energy efficiency rating and full after-sales support with a 48-hour response time, all at no additional cost to the United Nations;

(e) The project team continued to further strengthen coordination among stakeholders as follows: (i) increased close cooperation with the Office of Central Support Services by including the Registrar in the fortnightly coordination meetings, as well as more frequent and direct consultations between the contractor and the architects' team in Kampala, including through the organization of a web conference and ad hoc design consultations; (ii) expedited internal procedures, most notably the change order approval process, by establishing a change order procedure and seeking and obtaining an appropriate level of financial and procurement delegation of authority to the Chief of Administration of the International Tribunal for the Former Yugoslavia for processing change orders in the construction contract.

50. Since the implementation of those measures, the slippage experience due to the site management and quality control challenges has been halted, and construction work has progressed steadily. However, the time lost from the slower-than-expected progress due to the issues was not recovered. Therefore, while the contractual completion date remains 6 April 2016, at the time of writing, the most recent observations on the ground of the project team and the architectural consultants, which have been discussed with the Office of Central Support Services, would suggest the anticipated completion of works by May 2016, to allow sufficient time for testing and commissioning. The project is still subject to risks that could further affect the schedule, including: an inclement early rainy season; possible delays in the shipment and delivery of long lead time material; any problems with

the execution of the contractual drawings requiring remedial works; and any problems in communication between the contractor and the consultants.

51. The project team, in close coordination with the Office of Central Support Services, identified the following further mitigation measures, which the United Nations intends to implement in order to ensure that works are completed as soon as practicable within the contractual completion timeline and approved resources, as well as minimize any potential risks of further delays:

(a) Continue to explore further opportunities for value engineering, particularly with a view to mitigating risk of delay due to prolonged delivery and installation time;

(b) Continue to organize coordination meetings and further promote communication to explore modalities for expediting works and promptly resolving any issues on site as they arise;

(c) Continue to closely monitor potential risks, including financial risks, with a view to identifying suitable mitigation strategies;

(d) Consider planning for sectional completion pursuant to the construction contract, which would allow the United Nations to occupy and beneficially use part of the facilities while the remaining construction works are ongoing for other parts of the premises.

52. A revised project schedule, which takes into account the above-mentioned measures, is presented in annex II.

V. Project expenditure and costs

53. The total budget approved for the project amounts to $7,737,362 (excluding a contingency of $1,050,371). The tables below show actual expenditure up to 31 December 2015 and projected expenditure during the remainder of the project.

Actual and projected expenditure, 2013-2016 (excluding contingency)

(United States dollars)

		Actual expenditure				*Projected expenditure from January 2016 until completion of the project*[b]				
Description	*Approved*[a]	*2013*	*2014*	*2015 interim disbursements as at 31 December 2015*	*2015 obligations to be disbursed in 2016*		*Total*	*Amount to be covered by contingency*	*Redeployment*	*Revised amount to be covered by contingency*
Construction[b]	6 365 887	–	2 912	918 387	4 781 613	914 399	6 617 311	(251 424)	–	(251 424)
Architect and project management										
Architect fees[c]	636 589	–	399 222	76 123	309 880	–	785 225	(148 636)	84 364	(64 272)
Project supervision and management[d]	635 800	155 919	143 172	154 582	–	70 200	523 873	111 927	(111 927)	–
Travel[e]	99 086	12 396	54 475	31 102	28 676	–	126 649	(27 563)	27 563	–
Subtotal	**1 371 475**	**168 315**	**596 869**	**261 807**	**338 556**	**70 200**	**1 435 748**	**(64 272)**	**–**	**(64 272)**
Total project cost (excluding contingency)	**7 737 362**	**168 315**	**599 781**	**1 180 194**	**5 120 169**	**984 599**	**8 053 058**	**(315 696)**	**–**	**(315 696)**

[a] Approved budget as presented in A/67/696, annex II.

[b] Corresponds to the portion of the contract not obligated against the 2014-2015 budget to be obligated in 2016.

[c] Reflects the cost of hiring an external architectural consultant firm to produce detailed construction documents, perform construction administration duties and assume the responsibility of the architect of record.

[d] Reflects the cost of hiring a project manager for the day-to-day management and coordination of project activities.

[e] Reflects the cost of the travel of staff between New York, The Hague and Arusha to provide technical assistance to the project.

Contingency provision and expenditure, including projected expenditure, 2013-2016

(United States dollars)

Description	*Approved contingency*[a]	*Contingency expenditure*				*Total remaining contingency*
		2013	*2014*	*2015*	*2016*	
Construction[b]	954 883	–	–	–	251 424	703 459
Architect and project management[c]						
Architect fees	95 488	–	–	64 272	–	31 216
Project supervision and management	–	–	–	–	–	–
Travel	–	–	–	–	–	–
Subtotal	**95 488**	**–**	**–**	**64 272**	**–**	**31 216**
Total	**1 050 371**	**–**	**–**	**64 272**	**251 424**	**734 675**

[a] Approved contingency budget as presented in A/67/696, annex II.
[b] Calculated at 15 per cent of construction costs.
[c] Calculated at 15 per cent of architect fees.

Use of contingency

54. On the basis of lessons learned from other capital projects, and in line with industry best practice, the General Assembly approved a contingency provision of $1,050,371, representing 15 per cent of the estimated project cost. A total amount of $315,696 is expected to be charged to the contingency fund to cover the higher-than-budgeted costs for the architectural and engineering consultancy services and construction services.

55. It should be recalled that the General Assembly, in paragraph 9 of its resolution 69/276, requested the Secretary-General to obviate to the extent possible the need for drawdown from contingency provisions for any cost overruns. Pursuant to that request, cost overruns under architect fees and travel were first partially and fully offset, respectively, from savings under project supervision and management, with the balance under architect fees and construction being covered against the project contingency provision.

56. The Board of Auditors considers contingency as a specific budgetary provision which is allocated in order to address expeditiously the cost impact of project risks, should they arise, without the need to delay the project and negotiate increased funding. Consequently, the contingency funding allocated to the project is viewed strictly as a device to manage risks and not to absorb general increases in project costs. In addition, there are no expectations that all of the contingency fund will be used; any unused amount at the completion of the project will be returned. The Board of Auditors considers that project governing bodies should assume responsibility for the overall management of contingency provisions. While the project, owing to its scope, does not have a governing body, the Secretary-General has nonetheless sought to introduce oversight measures and ensure adequate reporting in an effort to take that view into account.

57. During the reporting period, a robust analysis was undertaken before a construction contract for a higher-than-budgeted amount was awarded. The project team, in close consultation with the Office of Central Support Services, considered, in particular, the following circumstances and mitigating measures:

(a) The procurement exercise was conducted in full adherence to the United Nations procurement guidelines, and the companies were selected as a result of the best-value-for-money process. Although the costs were higher than the estimated budget compiled in 2012, the Procurement Division concluded that the fees were reasonable for the required scope of services and that, as found during the commercial evaluation, the bids were consistent and in line with the prevailing market prices;

(b) Prevailing market cost escalations were higher than the budgeted provision of 4 per cent per annum of the estimated project cost for cost escalation in some areas, particularly imported electromechanical materials and equipment;

(c) The budget for the project has not been adjusted since early 2012, at the beginning of the design concept phase;

(d) Other options were unsuitable, including rebidding, which would have entailed a delay of almost half of the entire length of the project, with no guarantee that the new tender prices would have fallen within the budgeted amounts;

(e) The use of contingency remained within the appropriated budget and within the intended use of contingency funds.

58. The project contingency provision currently has a projected available balance of $734,675. Although no additional contingency funds have been used to date, at the time of writing the project team was in negotiations with the architectural consultant for a contract amendment for any provisional additional services that might be required as a result of the longer-than-scheduled duration of construction. The project team fully expects that any such amendment can be executed well within available budgetary resources while leaving adequate remaining contingency to cover any additional risks.

Change orders

59. Pursuant to paragraphs 8 to 10 of resolution 69/276, and in accordance with the construction contract, the Mechanism consistently made efforts to seek efficiencies to execute the project within the allocated timeline and resources. Value engineering and change orders were used in the implementation of such efforts.

60. Best practices in capital projects indicate that change orders should be kept to a minimum. By applying the lessons learned in other projects to determine clearly the technical and programmatic requirements with stakeholders during the planning phase of the project, the number of required change orders thus far has been minimal. In addition, the project team ensured that change orders did not result in additional costs to the project by offsetting them with opportunities for savings.

61. Thus far, only two change orders have been issued, related mostly to the topographical error. They required no use of contingency but rather resulted in minor savings to the contract price. The change orders followed the procedure adopted by the project team, which strictly adheres to the provisions of the

Financial Regulations and Rules of the United Nations and the Procurement Manual and incorporates oversight mechanisms.

62. The Secretary-General remains committed to allocating resources in the most effective manner and to continuing to seek efficiencies during the implementation of the remainder of the project, so that the project is completed within the overall budget.

Assets

63. In accordance with paragraph 11 of resolution 69/276, the Mechanism has continued to actively engage with the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia regarding the reuse of existing assets, which has resulted in savings and efficiencies.

64. During the reporting period, the Mechanism strengthened its coordination and intensified its efforts to identify existing assets of the International Criminal Tribunal for Rwanda that could be reused in its new facility, particularly in the light of the closure of the Tribunal on 31 December 2015. A dedicated team, headed by a staff member of the Immediate Office of the Registrar, was set up to coordinate with both Tribunals, the project team and technical stakeholders in a centralized and coherent fashion all activities related to assets, including the identification of existing assets in good condition, transfer modalities and recording. The implementation of that task was supported by the development of a standard operating procedure, regular meetings, stringent record-keeping and physical inspections.

65. Thus far, the Mechanism has transferred more than 400 non-expendable assets from the International Criminal Tribunal for Rwanda, amounting to over $3 million based on acquisition value. The majority of those assets, which include office furniture, as well as office, security and information technology equipment, will continue to be used at the new facility. Approximately 60 per cent of the required furniture will be reused from the Tribunal. As at the time of reporting, the Mechanism continued to coordinate with the Tribunal's liquidation team to ensure that no opportunity was missed for reusing additional assets.

VI. Planning of the post-construction phase

66. Immediately after the construction phase began, the Registrar started planning the post-construction phase through the creation of a dedicated working group tasked with identifying and coordinating the implementation of all actions required to ensure the timely and efficient occupation of a fully operational new facility. To ensure that the Procurement, Installation, Moving and Occupancy Working Group benefits from high-level coordination, well-informed decision-making and adequate technical expertise, it is composed of the Registrar, the Chief of Administration of the International Tribunal for the Former Yugoslavia, the project team, the Chiefs of Security, Information Technology, General Services and Procurement of the Tribunal, the project manager, Administration and legal officers of the Mechanism in Arusha. The Working Group has also received technical guidance and support from the Office of Central Support Services. It meets on a fortnightly basis by teleconference and closely oversees the implementation of its detailed and time-bound workplan. Since its inception, the Working Group has enabled the identification and transfer of

reusable assets for the new premises, led the procurement of necessary assets and equipment, identified end users and their requirements and concluded the early stages of planning for the move of staff, archives and assets. In the coming months, the Working Group will focus on coordinating the installation of specialized equipment and organizing the subsequent phases of the move and occupancy.

67. The Working Group is also planning for office space accommodation. The new premises have been designed to accommodate the minimal staff required by the Mechanism in Arusha for the performance of its mandated continuous functions. Dedicated, permanent office space will not be provided for the ad hoc staff who will report temporarily for duty to support trial activities when a fugitive is apprehended and tried by the Mechanism in Arusha. Roughly half of the ad hoc staff, including interpreters, court reporters, audiovisual technicians and witness support staff, will spend the majority of their time in court or at witness safe houses. As individual office space will not be required for such staff, they will be accommodated through the use of shared common areas within the facility, using flexible workplace strategies. Longer-term staff needed for trial activities that occur beyond the courtroom, including staff supporting the judges in drafting decisions and judgements, will be housed in prefabricated temporary offices on the grounds of the new facility.

68. In implementing the lesson learned in other capital projects that consideration should be given to early engagement with the facilities management services and the development of maintenance requirements, the position of Facilities Management Assistant, funded through the Mechanism's budget for the biennium 2016-2017, is currently being recruited to ensure the smooth transition and continuity of knowledge in the subsequent operation and maintenance of the facilities.

VII. Actions to be taken by the General Assembly

69. **The General Assembly is requested to take note of the progress made on the project during the reporting period.**

Annex I

Rendering of the new Arusha premises of the Mechanism

New Arusha premises of the Mechanism as at January 2016

Annex II

Project schedule as at January 2016